New Year, New Flex(ibility)

MegaTrends Report

January 2020

Introduction

We are officially ONE MONTH into New Year Resolutions. How's it going?

The LikeFolio office is running strong on keto pizza, pull-up challenges, and an overall carb avoidance. Pro-tip: bourbon has ZERO carbs *wink*.

We know we're not alone. About 65% of the U.S. adult population (164 million Americans) is committed to a lifestyle change or personal goal for self-improvement in 2020.

The top goal-setting category for go-getters? Health, making up ~40% of responses.

Armed with this knowledge, we peered into companies dipping toes in health-related pools. For companies like these, seasonality is KEY and we are sitting in the prime window for analysis.

We identified New Year Resolution winners (and losers) being propelled or pulverized by 2020's resolution drivers:

1. Plant-based integration and healthy ways to increase protein intake.
2. Fitness/health plans offering affordability and flexibility.
3. Technology empowering resolution seekers.

This report highlights seven companies with a dog in the health fight: five BIG winners and two laggards being crushed under the weight of consumer expectations.

Feel free to peruse over a glass of bourbon—guilt free, of course.

Andy Swan
founder, LikeFolio

Table of Contents

2020 New Year Resolution Winners

We'll hit these 2020 resolution drivers in detail later, but the important takeaway is this: Consumers are seeking healthy protein, flexible workout routines, and utilizing forward thinking tech to meet lifestyle goals.

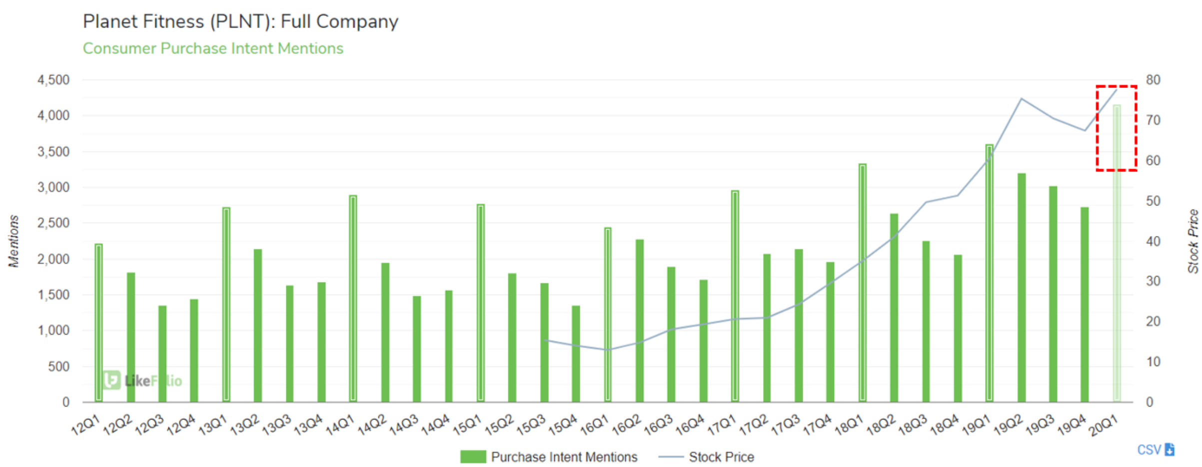
The following companies are being propelled by at least one of these major trends, and we're confident they have plenty of room to grow.

Planet Fitness, Inc. (NYSE: PLNT)

Planet Fitness is the antithesis of boutique fitness. It's a no-thrills (*no judgment*) zone where consumers can workout at their own pace at an extremely affordable price point.

The basic membership costs $10 a month, plus a sign-up and annual fee.

This simple, cost-friendly model is sitting well with consumers. The current quarter pace is cruising through the new year at a +15% YoY pace.



Last quarter, when PLNT delivered same stores sales growth of nearly 8%, more than a third of that growth was driven by new members "attracted to our brand and welcoming, non-intimidating fitness concept."

In the 19Q3 earnings call, Planet Fitness demonstrated how dominant its market share held for fitness memberships as a whole:

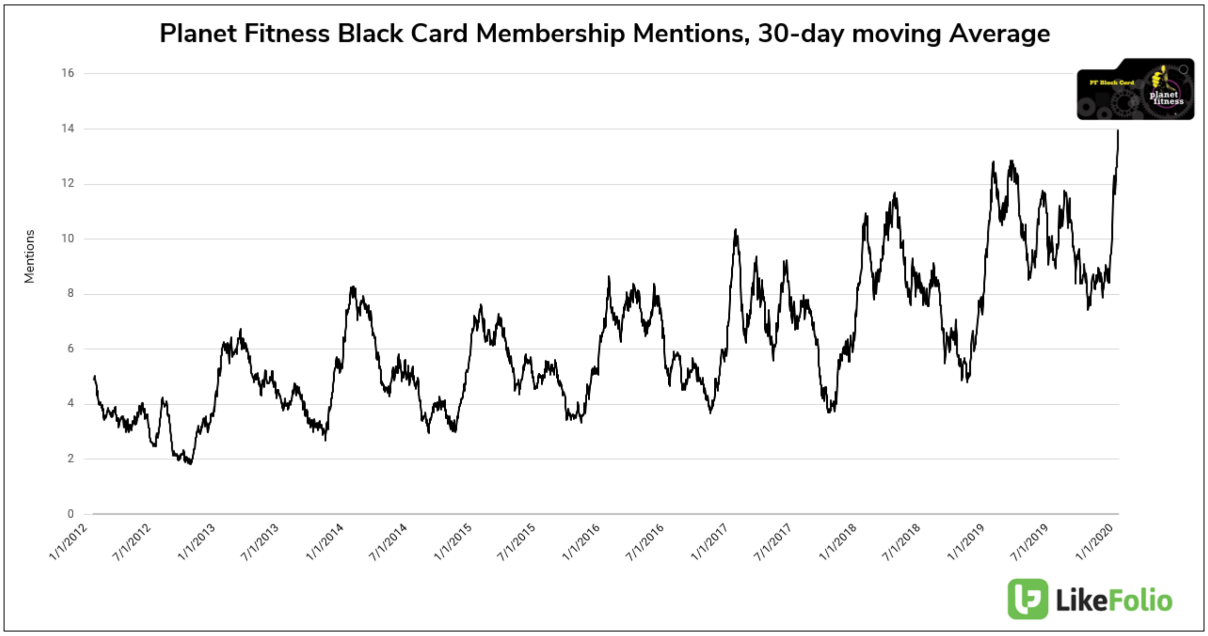
"Compared to the industry, our growth is remarkable. According to IHRSA, the International Health, Racquet & Sportsclub Association, the U.S. fitness industry opened roughly 1,100 new locations and added 1.6 million members in 2018. And that same year, Planet Fitness opened 211 new stores and added 1.8 million members. ***We accounted for roughly 20% of the industry unit growth and more than 100% of the volume growth.***

Taking Planet Fitness out of the industry, the U.S. industry grew by over 800 stores, but membership declined by about 200,000."

Not only is Planet Fitness a driving force in the fitness industry, but it is successfully upselling its existing (and new) customers into an elite "Black Card Membership," which costs more than double the basic membership amount.

This is extremely significant. A membership model means recurring monthly revenue for Planet Fitness, and the beginning-of-the-year push is a key indicator of success.

Initial results of Black Card Membership mentions are impressive, exhibiting a growth rate of 31% YoY:



Looking into 2020, Planet Fitness has eyes beyond the U.S. The company plans to open a minimum of 35 locations in Australia alone.

With a promising opportunity to capture international market share and an extremely healthy U.S. consumer base, this is one of our favorite names in 2020. We'll be watching for accumulation opportunities during any sell-offs, especially with the stock near all-time highs. We'll also continue tracking consumer demand to continue to support the bullish thesis.

MegaTrends IMPACT Points

- FLEXIBLE FITNESS – Winner – Planet Fitness provides consumers with an affordible exercise option that is customizable to personal goals.

NIKE, Inc. (NYSE: NKE)

Nike is in an elite club: when Millennials were asked to identify their favorite brand, Nike earned the #3 spot, only trailing Apple (at #2) and Amazon (at #1).

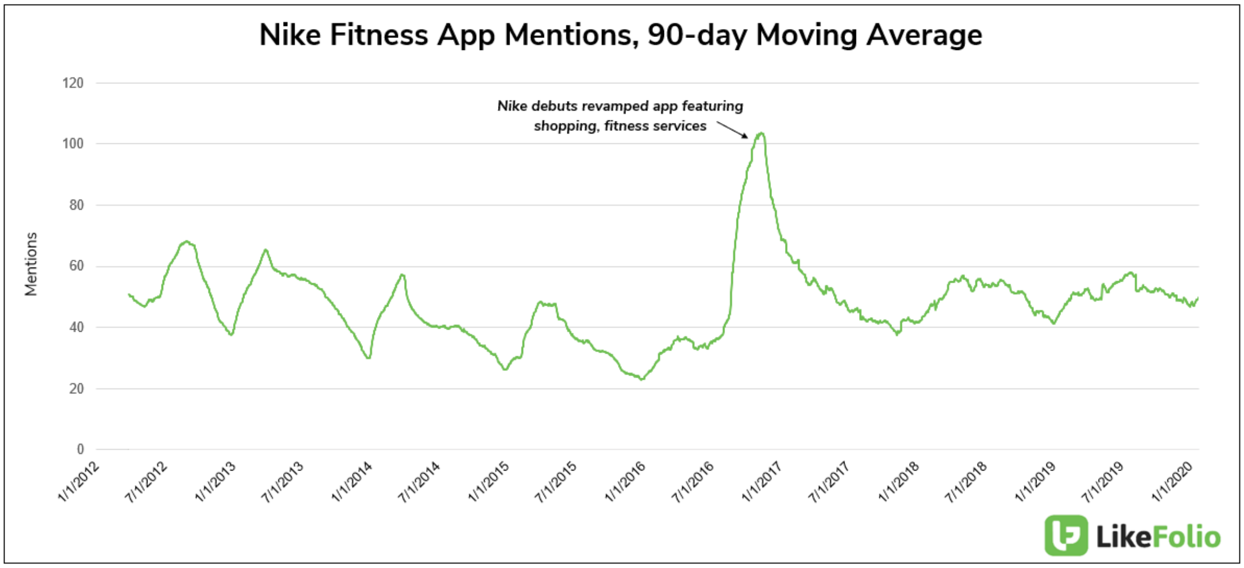
In LikeFolio data, Nike is the clear leader in sneakers and athletic wear, far superior to competitors like Adidas (OTC: ADDYY), Under Armour (NYSE: UAA), and Puma (OTC: PMMAF). Consider the current YoY Purchase Intent growth comparison below:

- **NKE: +21%**
- PMMAF: +16%
- UAA: -2%
- ADDYY: -23%

The chart below showcases the incremental quarterly improvement Nike has exhibited in 2019, and the current pace for Q3 (already halfway over).

The market has been responsive to Nike's success. NKE stock has gained more than 30% in value over the last year as investors react to its successful pivot to Direct-to-Consumer and overall brand strength.

What has enabled Nike to be so successful with this shift in mindset? Check out the chart below; they are engaging consumers beyond simply selling athletic wear.



The green line on the chart represents mentions of consumers utilizing a Nike Fitness app (like Nike Training Club or Nike Run Club). You can see a significant peak after August 2016 when Nike revamped its existing app to include fitness features.

Since then, Nike has steadily increased adoption. The current growth rate for its suite of fitness apps is +9% YoY. In fact, the Nike Training Club app was featured as one of the “Best Workout Apps” in 2020 by Self magazine, and Women’s Health Magazine named Nike’s Run Club App the top running app to improve performance in 2020.

These apps are integrated with Nike’s retail arm, offering a direct and sensible link for consumers to make the jump from a workout to purchasing the apparel they need to complete their next one.

Building on this adoption, NKE management cited the potential for international expansion of its digital footprint in its last earnings call:

“At the end of Q2, we added the Nike App to a powerful portfolio in China that includes nike.com, SNKR, NRC and NTC and our branded experiences with Tmall and WeChat. The Chinese consumers already telling us they're excited about the NIKE app, download again one million times during launch, incredibly, it's already the number one shopping app in China.”

Another key factor contributing to Nike’s success is the superior performance of its products. Athletes and “regular Joe” exercisers are aware of the quality Nike brings to the table.

For example, consider recent news highlighting a potential ban on Nike’s Vaporfly shoes. Why? The shoes were making runners run so fast, it was deemed CHEATING. Insane.

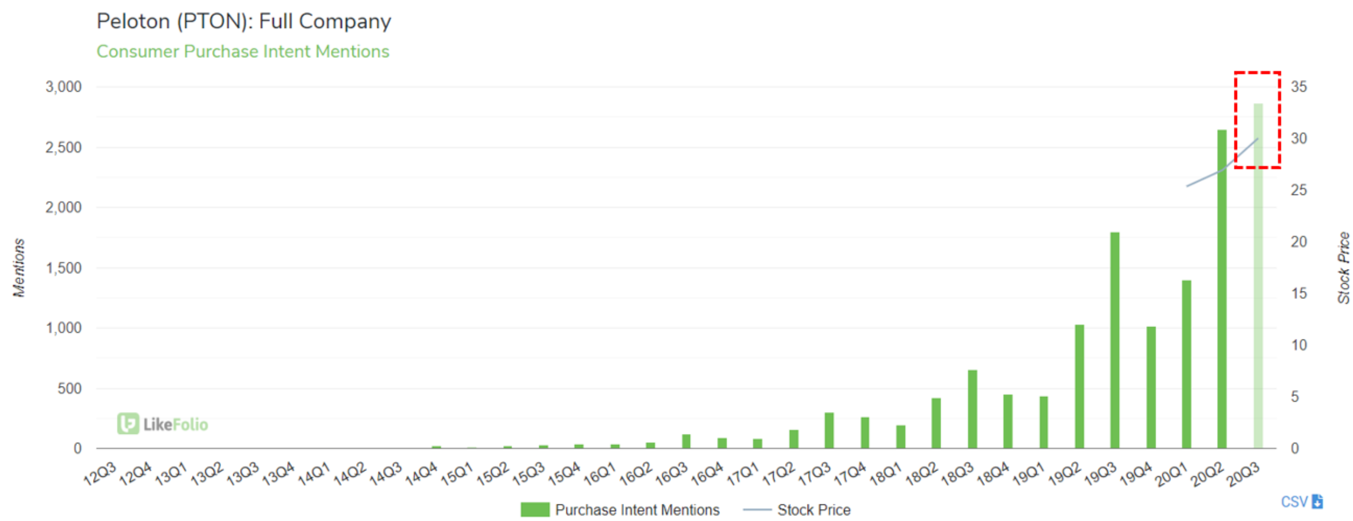
Even though the stock is near all-time highs, we believe this strength is justified (and may even grow). Expect a ton of exposure and hype during the Summer Olympic Games. We’re watching for continued momentum into 2020 with a bullish outlook.

MegaTrends IMPACT Points

- FORWARD-THINKING TECH – Winner – Nike is connecting personal fitness goals with retail opportunities in the mobile landscape.
- FLEXIBLE FITNESS – Winner – Nike’s range of fitness applications enable consumers to workout how they’d like, where they’d like.

Peloton Interactive, Inc. (NASDAQ: PTON)

Peloton was one of the most highly-anticipated IPOs in 2019. Often, we see companies plan the jump into the market alongside all-time high levels of Purchase Intent. In the case of Peloton, Purchase Intent strength is extending its prowess.



The chart above displays quarterly mentions for consumers purchasing Peloton equipment. The quarterly bar highlighted (the current 20Q3) is pacing higher than the extremely hyped Holiday season: **+8% QoQ and +59% YoY**.

Even with a massive influx of customers, consumer happiness is hovering above 78% positive (this is impressive).

On its first public earnings report, Peloton initially wowed investors, and the stock popped 7% in early trading.

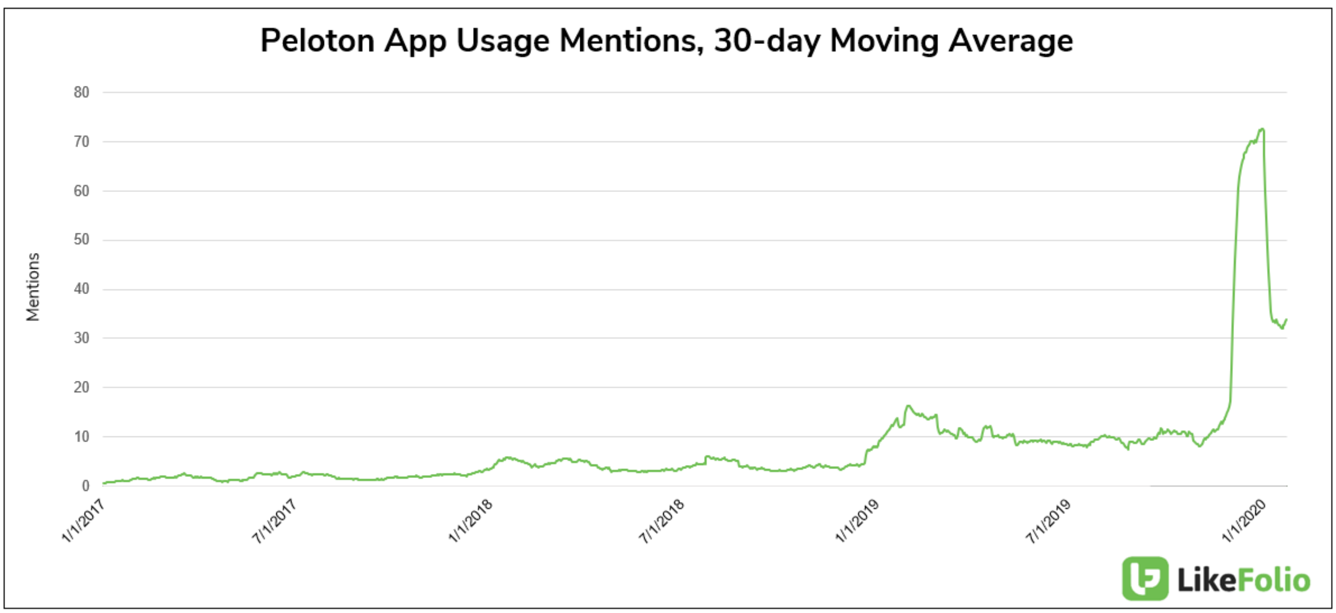
CNBC reported: “In the first fiscal quarter of 2020, Peloton’s revenue rose to $228 million, up from $112.1 million a year earlier. The company narrowed its net loss to $49.8 million, or a loss of $1.29 a share, from a loss of $54.5 million, or a loss of $2.18 per share, a year earlier.”

However, investors turned sour when the conference call focused more on growth than profitability, and shares slid down.

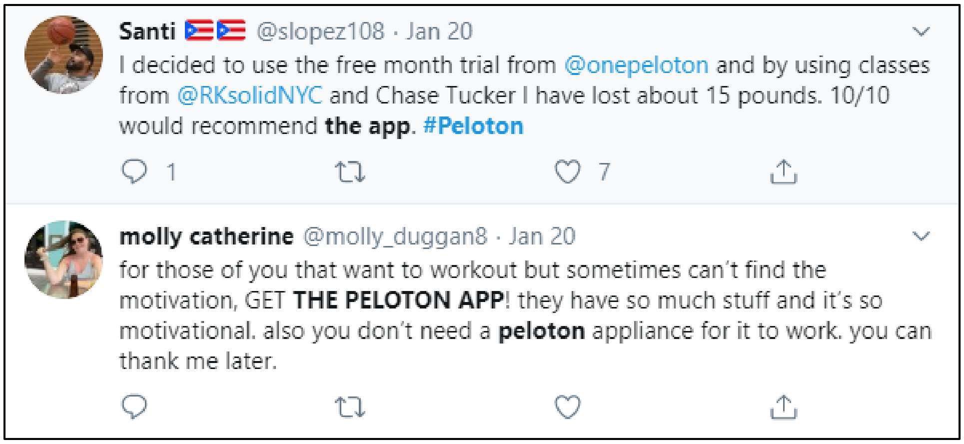
The bullish thesis for Peloton investors moving forward revolves around 1) how the company views itself, and 2) if it can execute this vision: **PTON is more than a bike.**

The company described itself as "the largest interactive fitness platform in the world" in its initial filing docs. This mindset and focus on platform development reinforce Peloton's mission to rise above physical equipment selling (although that sure doesn't hurt its bottom line).

LikeFolio data suggests Peloton is executing this vision extremely well, especially regarding mentions of the Peloton app since the 2019 Holiday Season.

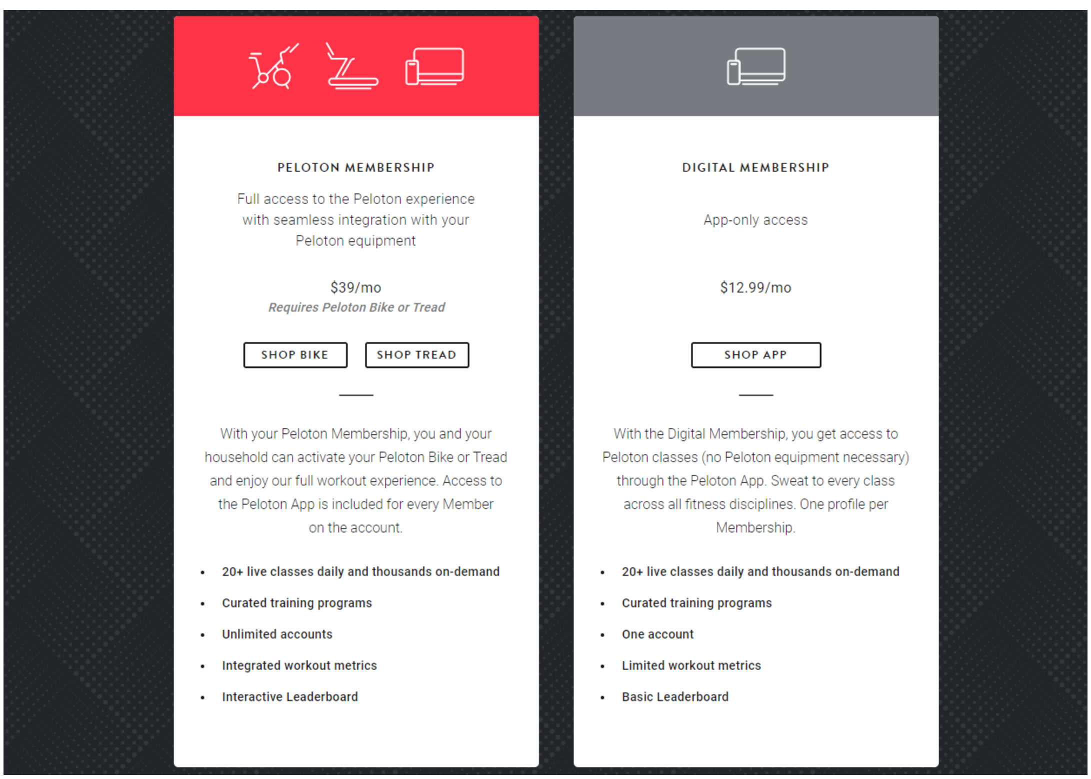


The chart above displays mentions of consumers using/downloading the Peloton app, renewing a Peloton subscription, or completing a Peloton program.



The key with this approach is that consumers don't have to purchase Peloton equipment to put money in PTON's pocket. A digital-only membership is available at an extremely affordable price point: $12.99/mo.

This recurrent revenue stream (not necessarily dependent on equipment purchase) is extremely positive for Peloton.



Other analysts are supporting a bullish PTON thesis due to a lack of legitimate threats in the at-home fitness space.

"There's a significant portion of people that don't own the product that are interested in the product," Wedbush analyst James Hardiman told CNBC. "And then, among actual Peloton owners, satisfaction was through the roof. Ninety-seven percent of people were satisfied based on the work we did."

The moral of the story: short-term, Peloton is going to be highly scrutinized to prove profitability and investors are keying in on equipment sales. Long-term, Peloton has the potential to cement itself as the at-home fitness leader.

We're banking on the latter. With the stock off all-time highs, we think this name has plenty of potential to grow in 2020. However, it is important for investors to note increased volatility through earnings events with newly trading stocks. PTON's next earnings report is Feb. 5, 2020.

MegaTrends IMPACT Points

- FORWARD-THINKING TECH – Winner – Peloton's digital suite offers on-the-go (or at-home) fitness options for consumers with a diverse array of activities and fitness levels.
- FLEXIBLE FITNESS – Winner – Peloton has many consumer entry points, offering digital-only plans as well as equipment plus subscription.

Pinterest, Inc. (NYSE: PINS)

Pinterest may receive an eyebrow raise from many readers trying to wrap brains around:

1. How does this company fit into diet and fitness goals in 2020?
2. Isn't Pinterest a silly app for DIY-ers?

Hear us out. (This isn't the first time we've hyped Pinterest).

Pinterest is tapped into the goal-setting agenda and encompasses ALL three characteristics of 2020 resolution seekers.

1) It enables recipe/food planning.

2) It empowers affordable, at-home fitness ideas.

3) It is a strategically positioned technology connecting brands directly with consumers.

LikeFolio Purchase Intent data displays overall downloads/usage of Pinterest is on the rise: +12% YoY.

In the most recent quarter, PINS monthly active users grew 28% YoY to 322 million. To put that in perspective, that's nearly the same as Twitter's user base and ahead of Snapchat's.

Keep in mind, Pinterest has a unique userbase: consumers are highly engaged, and ready to pull the trigger on purchases (they're actually LOOKING to buy). This is extremely attractive to advertisers attempting to connect with consumers.

In fact, on its 19Q3 earnings call, Pinterest indicated that the number of merchant catalogs uploaded increased 75% QoQ. CEO Ben Silberman also made the case for a healthy advertising base:

> *"There are three kind of generally positive themes that we're hearing from advertisers. One, comes down to sales impact.* ***We're driving net new customers and new occasions to buy more top line sales.*** *Second, we hear advertisers are especially excited about insights, especially about early intent in finding early signal on some of the coming in market. And finally, we hear advertisers universally saying that they want to appear on platforms where the general tone is positive."*

At PINS' current price levels, the company appears extremely undervalued. As the market attempts to understand its growth model, we expect a bit of volatility. However, PINS' long-term prospects are extremely promising. In fact, this name may offer the most potential for investor profits if it executes as expected. We are holding a bullish position for years to come.

MegaTrends IMPACT Points

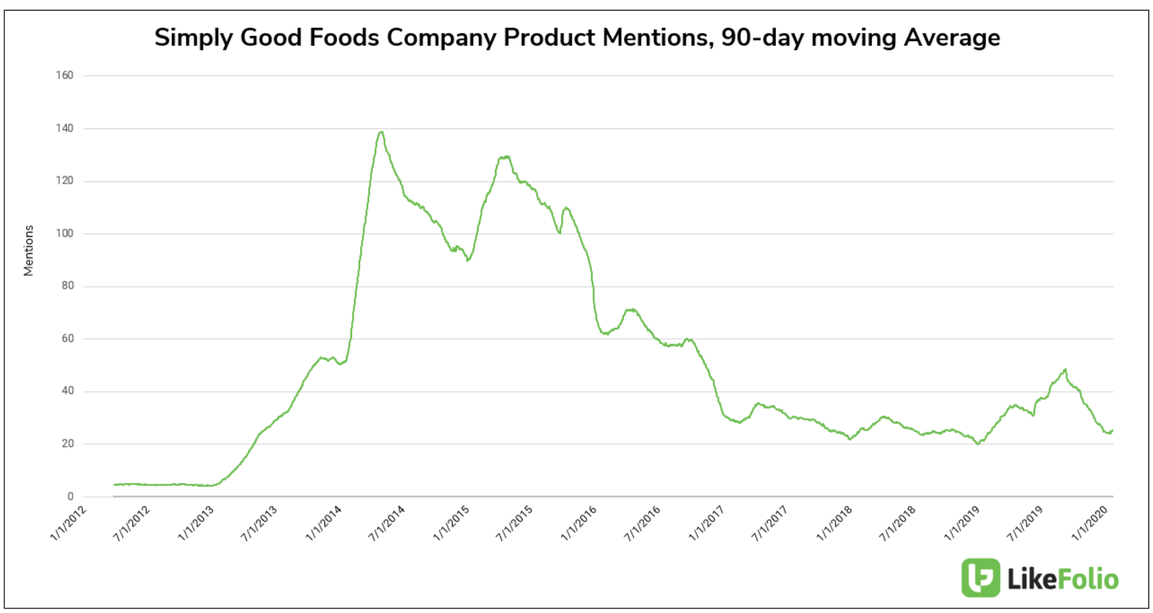
- FORWARD-THINKING TECH – Winner – Pinterest's app adoption just surpassed Snapchat.
- HEALTHY PROTEIN – Winner – Users can utilize Pinterest to achieve dietary goals, including meal-planning and recipe ideas.
- FLEXIBLE FITNESS – Winner – Users can utilize Pinterest to achieve fitness goals, including work-out discovery.

The Simply Good Foods Company (NASDAQ: SMPL)

The Simply Good Foods Company owns three main brands you may have seen creeping up in grocery stores of late: Atkins, Simply Protein, and Quest Nutrition.

SMPL completed the acquisition of Quest Nutrition in November 2019 and we're watching for synergy. Both brands tap into an increasing consumer demand for protein. In addition, Quest's focus is to create snacks that contain high protein levels with *minimal sugars* and net carbohydrates – more on the growing demand for food items with "no added sugar" later.

The chart below displays mentions of all brands under the SMPL umbrella:



Note a turnaround for product-specific mentions in 2019, driven particularly by an uptick in the ketogenic diet. The company has confirmed this uptick on recent earnings releases.

In its 20Q1 report, the company beat EPS by 2 cents but missed revenue. The silver lining: the company raised guidance for FY20 EPS significantly.

On the earnings call, the company noted: “The nutritional snacking category continues to grow and outperform most center-of-store packaged food categories driven by healthy snacking and meal replacement mega trends.”

Translation: Quest provides a significant opportunity for SMPL because its core business offering is a diverse array of “snacks” and meal replacement (like pizza, chips, and cookies) that are much more appealing to consumers than a boring bar or shake.

SMPL’s current pricing below August highs, coupled with an opportunity to capture high protein, low sugar, low-carb snacking market share contributes to a bullish outlook.

MegaTrends IMPACT Points

- HEALTHY PROTEIN – Winner – Snack offerings high in protein and low in added sugar meet increasing consumer demand for healthy, portable options.

2020 New Year Resolution Losers

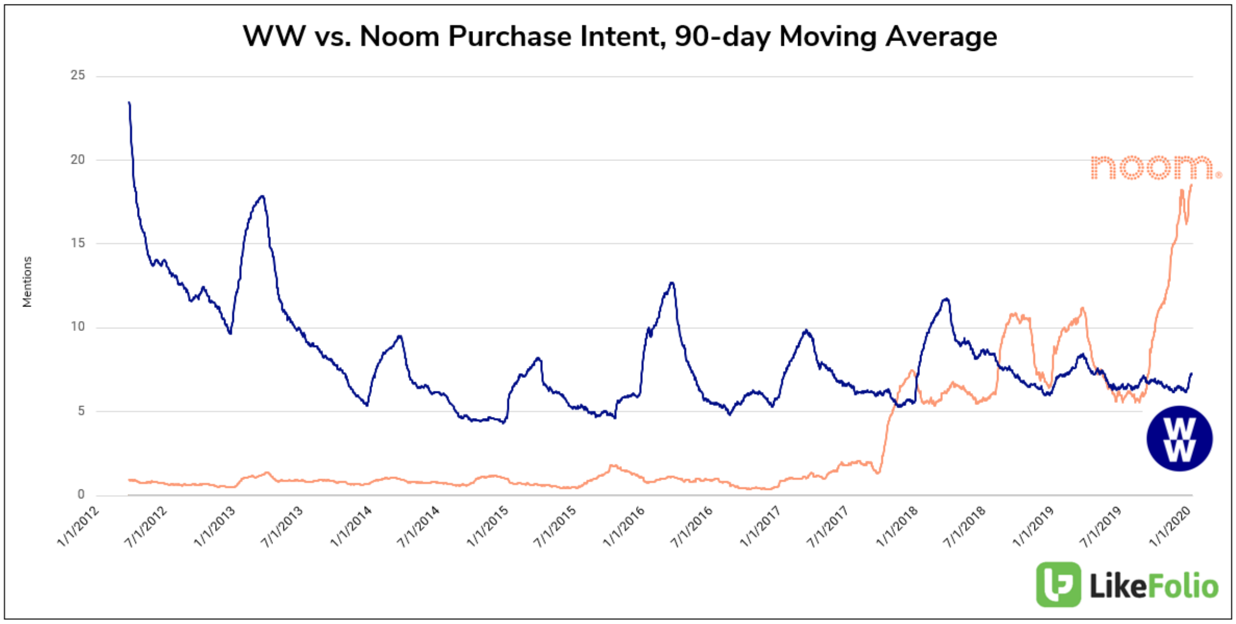
WW International, Inc. (NASDAQ: WW)

The Oprah effect that boosted WW (formerly known as Weight Watchers) for so long is wearing thin. LikeFolio nailed this last year, predicting Weight Watchers' face plant and pre-empting a 35% stock plummet.

You can see red circles on the chart below, showcasing what SHOULD be peaks for WW as consumers kick off New Year resolutions. Most importantly, key in on the YoY comparison and predicted stock movement.

This year, Purchase Intent (although pacing slightly up from last year) is not in line with recent stock moves. Mentions of consumers talking about joining the service and following the WW plan is **+7%** YoY, but the stock is up ~**84%** since the close date of its 18Q4 fall last year.

More concerning is the success of a popular and relatively new peer. Consider the chart below, comparing mentions of consumers using WW vs. Noom.



The stark difference in consumer adoption at the beginning of the New Year should be alarming for WW.

Both companies boast an easy-to-use application promoting meal-tracking, but a clear consumer favorite is emerging. Why?

Noom provides users a *single* tool to track all aspects of healthy living: meal planning, fitness tracking, and a motivational life coach. You can read in-depth comparisons between the two programs here, but the ultimate takeaway:

> *"Based on the research we have done, both on our own and by engaging with countless users in fitness and diet forums, we have concluded that going for **Noom is the better choice** especially if you're aiming for a high success rate on your weight loss journey."*

On WW's [last earnings call](), the CFO reported that total revenue in Q3 was down 3% YoY. Although digital subscription revenues increased 9%, studio revenues decreased 13%. This trend is in line with a major MegaTrend highlighted in this report: consumers want flexible, accessible health goals and support. The fact that consumers don't want to travel into a studio is not shocking, and we don't anticipate a shift in this metric.

While WW may report a "better than horrible" kick off to 2020 from a YoY perspective, the headwinds mounting from competition and consumer shifts are undeniable. These obstacles alongside significant increases in stock value help inform our bearish outlook long-term. We're not sure Oprah can fix it this time.

MegaTrends IMPACT Points

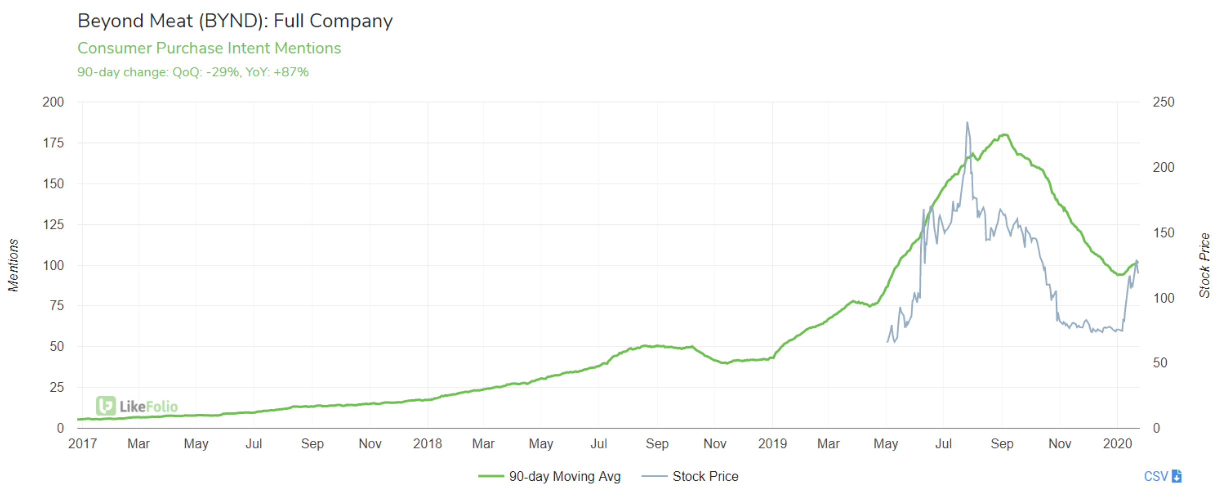
- FLEXIBLE FITNESS – Loser – WW is losing market share to competent competitors after a year of struggles.

Beyond Meat, Inc. (NASDAQ: BYND)

Beyond Meat has taken investors on a wild ride since IPO in May 2019. LikeFolio members enjoyed a nice bullish move post-IPO as BYND established itself as a first-mover (in the refrigerated meat section of grocery stores) and gobbled up market share.

In fact, since our initial bullish report on June 3, 2019, BYND stockholders have a current net gain of ~27% (with a max gain of 144%).

The chart below helps demonstrate the demand we were watching with Purchase Intent reaching all-time highs last fall.



However, we're detecting a shift in Beyond Meat's trajectory.

Purchase Intent has normalized since initial launch and the stock is sitting well-above IPO levels. What are we watching? Two red flags:

1. Competition has arrived.
2. Consumers are starting to question how healthy this "fake meat" is.

When BYND first launched plant-based meat alternatives in grocery stores, it benefited by being the only plant-based option in the *meat* section (vs. "vegan" section, like its peers). Now, that narrative has shifted.

This is what the meat section in a local Kroger looks like now:

Note: identical price-points, placement, and packaging. The consumer has options and they all look the same.

In fact, at LikeFolio we've been tracking a mass influx of plant-based meat options across the board.

Right now, 7 companies we cover have 13 plant-based brands on the shelves: $K, $KR, $CAG, $HAIN, $KHC, $GM, $MDLZ.

Building on that, consumers are beginning to question how BYND is made. As Purchase Intent falls (and normalizes), Consumer Happiness is drifting -7% YoY.

Conversations revolving around health benefits look a lot like this:

So, while consumers value protein and plant-based options, they are also seeking a "healthy" purchase to meet dietary needs.

Looking forward, BYND could still prove to be a volatile name — especially if the company expands a test program underway with McDonald's in Canada. However, due to the rise of competent competition and focused health standards, our outlook has shifted bearish.

MegaTrends IMPACT Points

- HEALTHY PROTEIN – Loser – BYND has lost its early-mover advantage as plant-based meat alternatives flood grocery store shelves.

Consumer Priorities Driving New Year Resolutions

We've already established that HEALTH goals are driving the top lifestyle changes for consumers in 2020. What do consumers care about in regard to diet and fitness?

Let's review three major themes emerging this year:

1. Escalation in prevalence of flexitarianism
2. Rise in demand for flexible, accessbile fitness plans
3. Increase in adoption of tech/products adding value to health goals

Healthy Protein

Meat is losing steam, but protein is still king.

Before meat-eaters riot, hear us out. We track more than 20 diets, keying in on how consumers are making food choices. Take a look at the diets growing below:

Trend	YoY Change
Plant-based	+134%
Kosher	+30%
No added sugar	+27%
High Protein diet	+24%
Pescatarian	+17%
Flexitarian	+6%
Vegan	+6%
Vegetarian	+1%

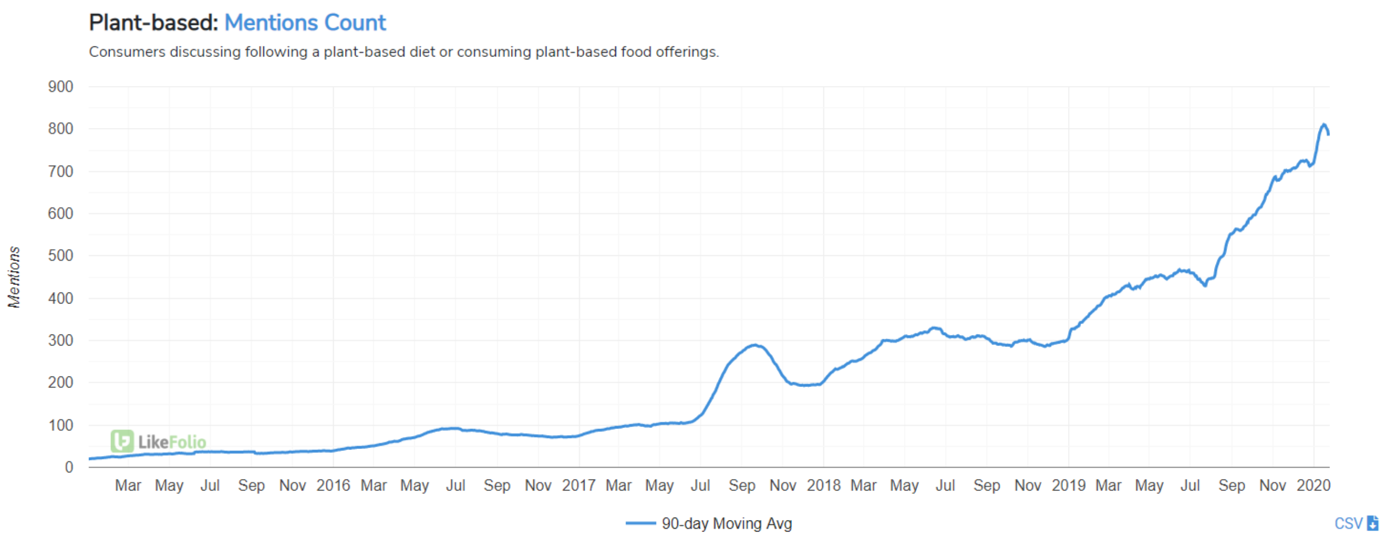
The common theme of the diets showing YoY growth?

Consumers are more aware than ever of the ingredients they are putting in their body, with a focus on how the ingredients are sourced/created and the nutritional value provided.

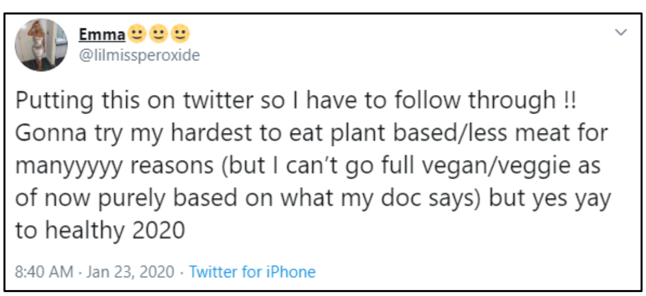
Clear winners: plant-based and protein-centric options.

This should sound familiar. The June 2019 MegaTrend emphasized rising demand for plant-based protein. This year's fresh data suggests the trend is still growing — and now, we see another theme emerging.

Note the inclusion of flexitarian and pescatarian lifestyle choices. These additions reveal that consumers aren't cutting out meat completely (they still value protein) but they are REDUCING meat consumption and replacing with plant-based options when possible.



The chart above contains many mentions like this, showcasing consumers aren't completely cutting out meat, but are limiting consumption:



This flexitarian mindset was reported in another study in 2020 examining dietary choices. Findings confirmed 78% of respondents still eat meat and dairy regularly, but 66% of them are making an effort to reduce consumption and be more measured about the type of meat they consume.

Companies providing consumers with food options meeting dietary restrictions and health goals stand to benefit — and those not concerned about the nutritional value of products should be concerned.

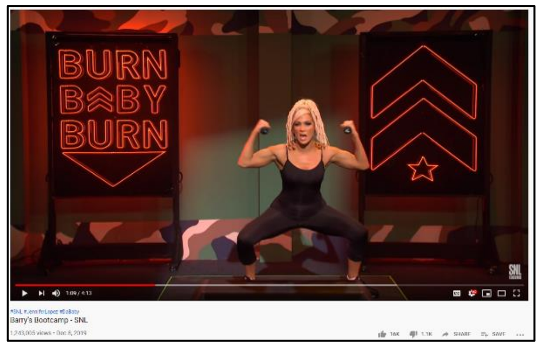
MegaTrends IMPACT Points

- PINS – Winner
- SMPL – Winner
- BYND – Loser

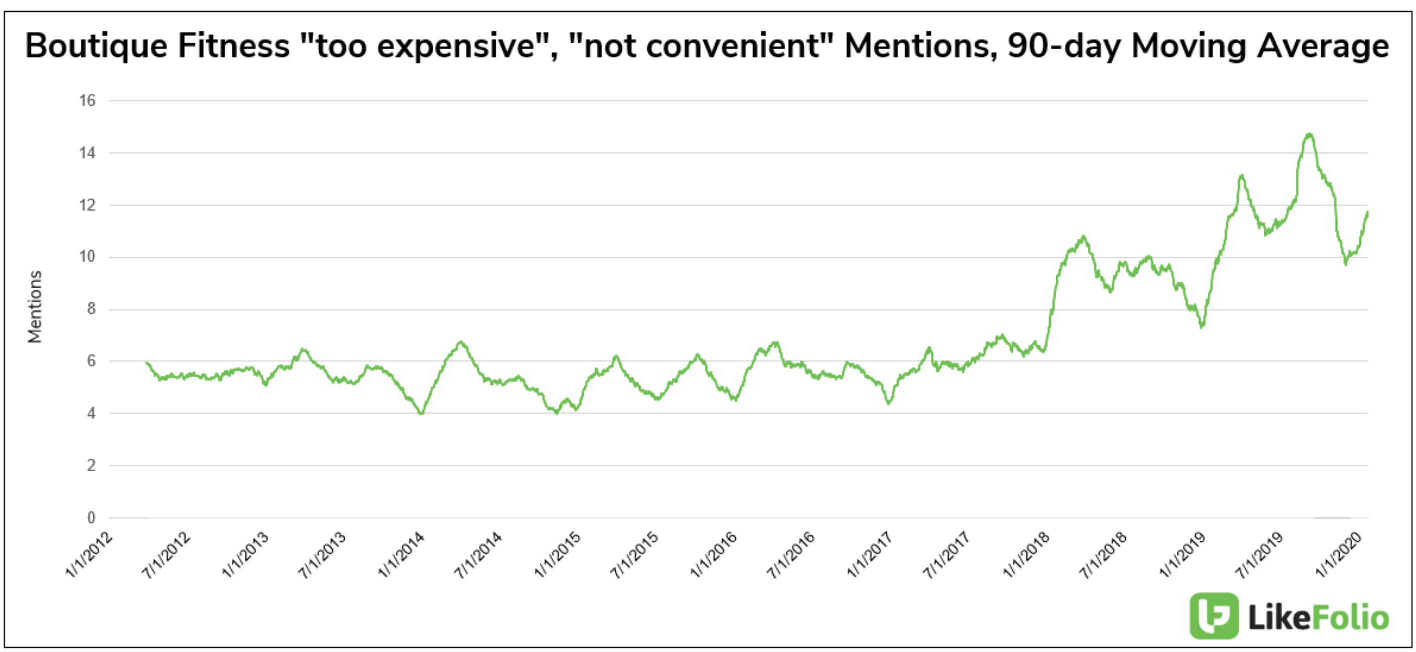
Flexible Fitness

Convenient, affordable fitness plans are cashing in.

Boutique fitness classes like SoulCycle and Barry's Bootcamp have swelled in popularity over the last few years. SNL even parodied both class models in skits in 2019:



But there's a clear [breaking point in boutique fitness growth](). Consumers increasingly note class cost and inaccessibility as a pain point. The chart below showcases mentions of top boutique fitness classes like SoulCylce



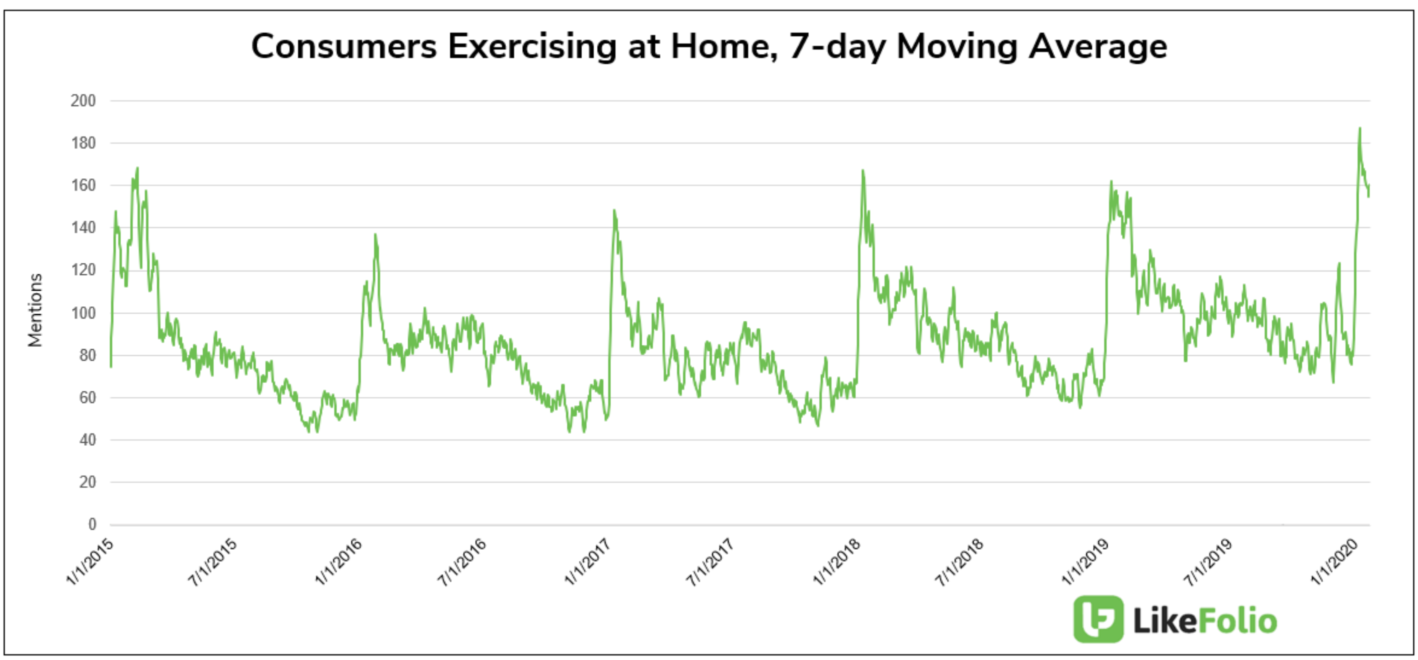
and Barry's Bootcamp being "too expensive", "not worth it", and "not convenient": **+29% YoY**.

Warning signs of struggle for this genre of fitness are undeniable. SoulCycle halted an IPO in 2018, citing non-ideal market conditions. Flywheel's CEO and co-founder stepped down.

An article diving into the underlying cause of the deteriorating conditions inside the boutique market revealed an important takeaway:

> *"As consumer demand shifts away from the concept of in-studio luxury spin classes — **opting for the convenience of at-home cycling programs like Peloton and cheaper, less amenity-laden classes** — Flywheel and SoulCycle are being forced to do some soul-searching of their own."*

In contrast, Twitter mentions from consumers "working out at home", and "streaming a workout class" are exhibiting growth as the New Year kicks off:



This is not surprising. A previous MegaTrends report examined the cord-cutting movement from a media consumption perspective. Now that consumers have these devices in their homes, it makes sense to utilize them to accomplish other goals: cheap, easy, and effective exercise.

So, we're watching companies that are helping consumers reach these fitness goals in an affordable and sustainable manner. (And those who are seriously struggling to keep up).

MegaTrends IMPACT Points

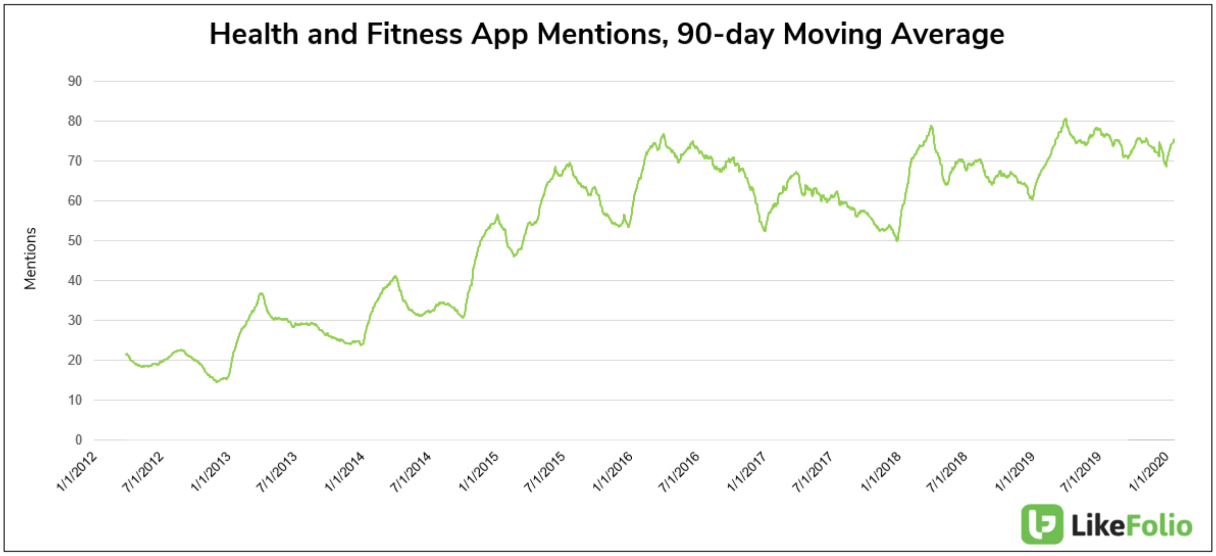
- PLNT – Winner
- NKE – Winner
- PTON – Winner
- PINS – Winner
- WW - Loser

Forward-thinking Tech

Consumers are utilizing apps to achieve 2020 health goals.

It's clear that consumers are prioritizing health in 2020. A study from Allianz Life reported that more than half of respondents (51%) said health and wellness is their top focus area, compared with 27% who said financial stability.

It's also apparent that consumers value flexibility and convenience. The chart below displays the prevalence of consumers using apps and sites to manage and achieve health and fitness goals:



A recent Gallup poll confirms this dependence on mobile technology: One in five adults use health apps or wearable trackers and most users rate the products as helpful in reaching health goals.

All of this to say: companies providing technology that helps consumers reach customized health and fitness goals in 2020 are poised to grow. And those without straightforward, convenient solutions are being left in the dust.

MegaTrends IMPACT Points

- NKE – Winner
- PTON – Winner
- PINS – Winner
- WW - Loser

Conclusion

New Year Resolutions (while a bit annoying) are key time periods of expected growth for many companies. Based on the budding trends this season, we're keyed into companies that have a dog in the health race.

We discovered consumers are increasingly seeking healthy protein alternatives, flexible fitness plans, and technology to achieve their goals.

Some of the opportunities in this report are different than those outlined in past MegaTrends:

- **PLNT** and **NKE** are instances of buy high, sell higher. These names are already performing well and we expect this to continue.
- **PTON** is a bit of gamble on a new IPO, but adoption rates are insanely positive.
- **PINS** is already initiating a turnaround after announcing impressive metrics, but we are playing this name EXTREMELY long – think year(s).
- **SMPL** bullish is a bet on synergy from acquisition alongside continued execution.
- **WW** is losing market share, but this New Year is pacing a bit better than last. They may not post ***HORRIBLE*** Q4 earnings, but the trajectory isn't good.
- **BYND** is a potentially volatile name due to the possible extension of McDonald's partnership testing in Canada. However, mounting competition and sinking happiness doesn't bode well.

Overall, take time to make sure any positions you take are risk-defined. We've been on quite a roll, but it's crucial to trade smart and avoid overconfidence.

We'll continue to track these names into 2020 and if an update is warranted, you'll hear from us.

Disclosures & Disclaimers

The material in this presentation is for informational purposes only and does not constitute an offer to sell, a solicitation to buy, a recommendation or endorsement for any security or strategy, nor does it constitute an offer to provide investment advisory or other services by LikeFolio, SwanPowers, LLC, or its employees.

This information is not investment or tax advice.

SwanPowers, LLC and LikeFolio is not an investment advisor or a broker dealer.

Investing in securities involves risks, and there is always the potential of losing all your money.

Before investing in any strategy, consider your investment objectives and speak with a professional.

Past performance does not guarantee future results, and the likelihood of investment outcomes is hypothetical.

Learn More About LikeFolio

LikeFolio.com